

Nordea

Russian Markets - Daily

May 30, 2011

RUB increased	USD/RUB	28.04	▼
Liquidity squeeze continues	EUR/RUB	40.06	▼
Rates are high	RUB basket	33.46	▼

Hot News

- The embargo on grain exports will be lifted from July 1 this year. According to Prime Minister Putin, lifting the ban on exports is one of the support measures for farmers who now have export potential. /Vedomosti
- The Dutch-British oil company Royal Dutch Shell could become a partner of Rosneft on the same terms that were determined with BP, said Prime Minister, noting that Shell is a "quite comfortable" partner ". /Vedomosti
- The share of overdue loans to non-financial companies in Russia's bank sector decreased to 5% as of May 1 from 5.1% as of April 1; to individuals - decreased to 6.7% in May against 6.9% in April. /CBR
- Finance Minister Alexei Kudrin said on Friday that the Russian government may increase mineral extraction tax (MET) on gas gradually over three years, rather than raise it substantially next year. The Finance Ministry had proposed more than doubling MET on in 2012 to 536 roubles (\$19) per thousand cubic metres (TCM) for Gazprom, but not for independent gas producers, in a move that would raise \$5 billion a year for the government.

Money Market

Liquidity stays at uncomfortable levels. Central Bank's correspondent accounts and deposits have crossed the critical line of RUB 800 bn. and have reached RUB 765 bn. Tax payments and new reserve requirements were the main factors. Moreover today market is awaiting for the last tax payment (profit taxes), which can make situation even worse. This week Central bank will try to offset current liquidity squeeze by conducting depo auctions. Tomorrow CBF will offer RUB 50 bn. via depo auctions. Repo auctions are also becoming more and more popular due to liquidity problems and CBR increased daily repo limit to RUB 50 bn.

On today's meeting Central Bank will probably leave interest rates unchanged. Russia's central bank signaled last week that it will not rush to raise interest rates, taking into account current situation on money market.

Currency market

The RUB strengthened against the basket by 5 kopeck on Friday, finishing the day at 33.43. RUB gained especially against the USD (14 kopeck). RUB was helped by risk appetite and higher oil prices, as the front month Brent price reached USD 115.5/bbl. Today the risk sentiment is more subdued. The oil prices retreated to USD 114.5/bbl, the Asian stock markets remained were mixed over night and the Russian equities opened lower. The US markets are closed today, so the global markets will likely remain range bound and volatile. RUB opened at Friday's close levels today. The last tax this month - the profit tax - is paid locally today, which will further reduce RUB liquidity, supporting RUB. The CBR delivers the monetary policy decision - the markets expect the CBR to remain "on hold", thus any surprise tightening will also help RUB.

Debt and Equity Markets

Russian stock market increased as external factors were quite positive. However equity fund cash outflow will put a limit on the current rebounding. We expect flat dynamics during next several weeks. Bond market freed in anticipation of Central Bank meeting.

Forwards	1m.	3m.	6m.	
USD/RUB	28,113	28,693	28,568	
EUR/RUB	40,66	40,84	41,14	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,13	0,12	4,26	3,23
MIBOR 1m (%)	4,27	0,02	4,71	3,81
RUONIA 1d (%)	3,93	0,25		
Implied NDF yield 6m%	4,23	0,07	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	139	0	218	119
Eurobond Russia 30Y	4,523	-0,073	5,739	3,914
EMBI +	569,11	0,9	582,02	505,62
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1858,39	2,20	2123,56	1288,72
Micex	1638,06	1,98	1859,99	1254,65
S&P 500	1331,10	0,41	1363,61	1022,58
DJIA	12441,58	0,31	12810,54	9686,48
Brent	114,94	-0,37	129,43	67,20



